RateFinancials Inc.

Rating the Financial Reporting of America's Corporations

The Financial Condition of the 50 Largest US Regional Banks

A Study Prepared by RateFinancials Inc.

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Executive Summary

The purpose of this report is to examine the financial condition of the 50 largest regional banks ("our study group") in the United States. (A detailed listing of the banks included in our study group appears in Appendix 1.) The importance of this bank group to the government's economic recovery efforts cannot be emphasized strongly enough as they constitute the primary source of credit for the country's small and medium-sized businesses and are an important supplier of credit to the commercial real estate market. As most new jobs are created by small and medium-sized businesses, commercial regional bank lending is crucial to new job growth if the economy is to recover. In February 2009, the United States Treasury did a stress test study of the 19 largest US banks, by asset size, in order to assess their current financial condition. Our study takes the 50 next largest banks – the largest regional banks, by asset size, and evaluates them by using five clearly defined financial metrics: 1) Profitability, 2) Asset Quality, 3) Growth, 4) Capital Adequacy, and finally, 5) Stress Tests the banks according to the protocol used on the 19 largest banks by the US Treasury in 2009 to establish the potential for future losses and capital requirements under moderate and severe economic conditions.

In general, we have found that, for the year ended September 30, 2009, the banks we studied and their peers have not increased their lending despite a sharp increase in lending capacity, preferring instead to hoard cash in the form of short-term investments. Banks are failing to provide American firms with access to the capital they so desperately need to sustain and grow their businesses, and as such are effectively short circuiting federal efforts to stimulate the economy.

Unrecognized loan and collateral impairments are a persistent problem and the greatest threat to capital adequacy as banks 'delay and pray' by not recognizing impairments with the hope that economic conditions improve and that they will be repaid. GAAP rules have enabled banks to materially overstate their assets and capital-we estimate that our study group banks will collectively need to raise a minimum of $21.4B of additional capital in order to avoid further shrinking of their balance sheets.

The profitability of bank's lending activities has declined steadily in recent years and it is not clear to us that there hasn't been a permanent impairment of the commercial banking business model that is preventing banks from lending profitably and growing their businesses while controlling risks – such impairment would have profound implications for bank valuations.

Still to be answered is why the banking regulators did not regulate the banks with more rigor, and why they are still allowing some of the same problems to persist. The huge amount of public information on bank operations and results available to us allowed us to analyze and pinpoint the issues; this and much more, was and is available to the regulators and bank examiners. All they have to do is their job. For that to happen, however, they need a supportive regulatory culture, management that leads, and political will.

The following is a summary of some of the major findings detailed in our report:

- **<u>The "Best 10" and "Worst 10" Banks – An Overall Ranking</u>**

  A ranking of the to 10 'best' and 'worst' banks in our study group was performed by averaging the peer group percentile rankings of each bank according to the profitability, asset quality, governance, and growth metrics; also included was a study group percentile ranking for loan value over/understatement. Each factor was equally weighted and an average percentile ranking or score was obtained and used to determine each bank's rank.

  <u>Table 1. Study Group Bank Rankings</u>

Top 10 Banks			Bottom 10 Banks		
Rank	**Bank**	**Score**	**Rank**	**Bank**	**Score**
1	SIVB	65	**50**	WL	31
2	BOH	63	**49**	HBAN	35
3	CVBF	60	**48**	ZION	36
4	PRSP	58	**47**	PVTB	37
5	SBNY	58	**46**	MI	37
6	WBS	55	**45**	SNV	38
7	CBSH	54	**43**	TSFG	41
8	SUSQ	54	**42**	BOK	42
9	CYN	53	**41**	PCBC	42
10	EWBC	53	**40**	MTB	42

- **<u>The Nation's Largest Regional Banks, Despite a Sizable Increase in their Capital, Aren't Increasing their Lending to US Businesses so as to Facilitate Growth and Employment but Instead Are Hoarding Cash and Increasing their Short-Term Investments.</u>**

  Our study bank group basically performed in line with its peer group (" Peer Group 1 - all banks with assets in excess of $3 billion – the largest domestic banks") – as their loans barely grew 0.3% vs. (0.3)% for the peer group. The banks increased their Tier 1 Capital by 12% over the past year. But instead of lending, the regional banks have hedged their expected loan portfolio losses and to protect their capital, these banks have hoarded cash and put their assets, including funds received under TARP, into short- term investments which grew 1,362% vs. 325% for their peer group. Of the 50 banks in our study, 80% or 40 banks received TARP funding totaling $20.2B, and as of December 12, 2009, only $1.6 B or 7.9% had been repaid.

- **<u>The Nations Largest Regional Banks' 'Real' Capital Adequacy Is Inadequate for their Mission.</u>**

  While the average bank's capital ratios met regulatory standards, in our judgment their capital does not reflect the expected real loan losses from their large exposure to commercial real estate and commercial loans on their books. As a result, these banks aren't lending and, realizing that their capital is inadequate, they have built up their short-term investments, waiting for that rainy day when the losses will occur. Though each of the 50 banks in our study was technically 'well capitalized' as of September 30, 2009, the quality of bank capital[1] varied dramatically based on: 1) Items of questionable or no economic value such as deferred tax assets and intangible assets, a portion of which may be included in Tier 1 Capital, 2) Reliance on expensive and volatile brokered deposits or so-called 'hot money' – which moves according to the highest interest rates paid, 3) discrepancies between the fair value of loans and their carrying value on the balance sheet, 4) the potential for off-balance sheet assets to impact earnings and capital. Also, it is anticipated that expected regulatory changes will include requirements for more underwriting controls and higher capital and reserve levels.

- **<u>The US Banking Industry Has Endured a Secular Decline in Profitability Since 2003 that May in Part Have Induced the Relaxed and Speculative Lending Practices and Subsequent Bad Loans that Are Now Hamstringing Efforts to Rebuild Capital. This Raises Concerns as to Whether There Has Been a Permanent Impairment of the Commercial Banking Business Model and Whether the Deterioration Is Ongoing - the Implication for Bank Valuations Is Potentially Profound.</u>**

  Profitability measured by loan interest rate spreads has declined steadily, from 2003 through 2008, for the FDIC Peer Group 1 of banks from 4.06% down to 3.59%. Pre-provision operating income and net income margins have also compressed giving rise to concern that there has been a permanent impairment of the commercial banking business model. This may help to explain why banks chose to engage in speculative credit policies and increase their leverage over the past five years to increase their net return and earnings per share. Adding to the pressure to generate earnings growth is that the large regional banks have not had the same capability, as the larger national banks, to drive earnings by expanding trading and securitization activities. The 5 top study group banks ranked on 'Pre-provision Margin % of Average Assets' ("PPM") and 'Net Income as a percentage of Average Assets' ("NI") generated average margins of 2.6% and 1.4%, respectively, versus peer averages of 2.0% and (0.2)%, respectively. The 5 worst performing banks in our group, ranked by PPM and NI, on average, generated returns of (1.5) % and (5.7) % on their average assets, respectively. Particularly unprofitable banks such as HBAN, STSA, TSFG, PCBC, and CPF clearly need to improve their operations and their management effectiveness. The critical policy prescription for these banks would be to improve their risk management and measurement in accordance with the requirements found in the Basel II framework regarding internal capital adequacy assessment. The major question is what will it take, or what has to happen for banks to proactively dispose of impaired assets on their own. As the banks move toxic securities and non-performing loans off their balance sheets, the resulting losses will force banks to raise more capital or reduce their loan portfolios.

- **<u>Material Overstatement of Bank Assets that if Corrected would Require 21 Banks to Either Raise a Combined $21.4B of Additional Capital or Shrink their Balance Sheets</u>**

  As of September 30, 2009, 32 of our study group of banks reported balance sheet loan values that exceeded the loans fair value by a combined $36.0B or an average of 4.5% of Risk Weighted Assets ("RWA"). Such unrecognized impairment of loan values represented 44.1% of Tier I capital for these banks. To reflect the fair value of the loans, 21 banks would see their capital fall below the level required to be considered well capitalized by banking regulators thereby forcing those banks to either collectively raise a minimum of $21.4B of additional capital or shrink their balance sheets. The 5 banks in our study group with the least conservative (most overstated) presentation of loan fair values - (RF, HBAN, UMPQ, CRBC, TSFG) - overstated loan carrying values, as a percentage of RWA by an average of 10.8% as of September 30 2009. Overstatement of loan values may indicate lax recognition of collateral impairment and unwillingness to charge-off permanently impaired loans

[1] Bank Capital=Shareholders' Equity

and as such could suggest a loan portfolio with unrecognized impairment charges i.e. embedded future losses and capital risk. For these banks the risk suggested by the gap between loan carrying value and fair value is significant enough to raise serious solvency concerns. HBAN and RF reported the two highest loan portfolio overstatements amounting, respectively, to 15.8% and 10.9% of RWA as of September 30, 2009. Were these banks to recognize the loan impairments and charge-offs necessary to reflect the fair value of the loans, their Tier 1 capital would evaporate and they would be bankrupt.

- **In Stress Testing the Banks, Under the Severe Scenario, We Estimated that 24 of the 50 Banks Analyzed Would Need to Raise $8.3B of Additional Capital in Order to Remain 'Well-Capitalized'.**

  We found that the cumulative 2-year loan losses for our study group averaged 5.1% and 8.7% under the moderate and severe 'stress' scenarios, respectively. As of September 30, 2009, our study group banks have on average reported year-to-date loan losses of 1.5% of their December 31, 2008 gross loan balances indicating the potential for additional average losses of 4.6% under moderate stress and 7.2% under severe stress. Under the moderate scenario, we estimate 5 of the 50 banks analyzed would need to raise a combined $3.8B to remain well capitalized. Under the severe scenario, we estimate 24 of the 50 banks analyzed would need to raise total capital of $8.3B in order to remain 'well-capitalized'.

- **The 50 Banks Have Significant Off-Balance Sheet Assets that are Expected to Increase Capital Requirements as New Accounting Rules are Implemented Beginning in 2010.**

  Off-balance sheet items, as a percentage of assets, for the 50 banks in our study was a sizable 25.5% of assets and 80.3% of Tier 1 Capital. New FASB rules will force banks to start moving these assets onto their balance sheets in 2010. This will most probably cause banks to increase loan loss allowances, impacting earnings and requiring additional capital.

- **Allowances for Loan Losses Varied Greatly Between the Banks we Studied and Generally Appeared Inadequate.**

  The 'non-current loans as a percentage of the allowance' provides a useful indicator of management's willingness to recognize and provide for collateral and loan impairment. The top five banks in this category reported allowances that, on average, were more than twice the amount of non-current loans[2] indicating a superior ability to absorb future losses without negatively impacting earnings and capital. The bottom 5 banks in our study had allowances that covered just 41% of non-current loans[3], which is worse than the peer group average of 54.8%.

- **Future Capital Requirements and Earnings Drag is Indicated by Substantial Non-Current and Past Due Loans at a Number of Our Study Group Banks.**

  The 5 banks in our group with the lowest non-current loans as a percentage of gross loans averaged just 0.7% versus 8.5% and 4.2% for the bottom 5 banks and its peers, respectively. The data regarding loans that have been classified a 'non-current' or as 'past due by 30-89 days' are useful in assessing the potential for future write-downs. The 5 bottom banks in this category (CPF, STSA, FBP, FHN and CRBC) had, on average, classified 8.5% (4.2% for peers) of gross loans as non-current and classified 1.8% (1.3% for peers) of gross loans as 30-89 days delinquent. Combined, the non-current and past due gross loan measures totaled 10.3% for the 5 worst banks versus 5.5% for

[2] Non-current loans as a percentage of allowances averaged 43.6%.
[3] Non-current loans as a percentage of allowances averaged 240.6%.

peers and provide an indication of the potential scale of future charge-offs and capital risk at those banks as well as the extent to which the banks are not being paid interest on their outstanding loans.

- **Officer and Shareholder Loans That Are Too High and Indicate Poor Corporate Governance**

  Related party transactions such as loans to insiders, always degrade the quality of corporate governance and in the case of banks that have received TARP funds, a public policy concern arises that public monies are being used to provide capital support for insider loans. The study group reported as of September 30, 2009 that an average of 1.1% of loans was outstanding to officers and shareholders versus 0.6% for peers. The 5 banks with the best governance according to this metric (EWBC, SBNY, SIVB, WBS, and TCB) had an average of 0.0% of loans outstanding to officers and shareholders whereas the 5 worst banks (UMBF, SNV, CBSH, BOK and BXS) reported that an average of 5.2% of loans were outstanding to officers and shareholders - the highest being 8.7% reported by UMBF.

Introduction and Methodology

The Obama Administration and the US business community have complained on numerous occasions that US banks have not resumed their level of commercial lending so that businesses can obtain credit and we can grow out of the Great Recession. As recently as December 14, 2009, President Obama exhorted the nation's biggest banks to make "extraordinary" efforts to increase lending, even as some of those firms are racing to distance themselves from government control. According to a December 15, 2009 article in The Washington Post, "The nation's most powerful bankers sat in the Roosevelt Room at the White House and nodded as the president spoke, but some executives and industry officials said afterward that increasing lending is largely beyond their ability. Meanwhile, Citigroup and Wells Fargo announced plans Monday to spend billions of dollars -- not on lending, but to repay federal aid."

According to the Federal Deposit insurance Corporation ("FDIC"), for the quarter ending September 30, 2009, bank lending reached its lowest level since 2006. The banking industry has reduced lending for five consecutive quarters, even as it has regained profitability thanks to vast public aid. The amount of money on loan from banks fell by about $600 billion, or 7.2 %, from September 2008 to September 2009, according to the FDIC. With bank loan losses still climbing, banks are reluctant to open their lending spigots to Middle America's businesses. Large public companies now have easier access to loans and equity again and corporate bond issuance soared in 2009. However it is estimated that only about a quarter of public companies can access the bond market. But below them are the small and medium-sized companies that employ more than half of all US workers and these firms are heavily dependent on bank credit. Small businesses, accounting for 27 million companies, with less than 250 workers account for 49% of all US private-sector employment and about $1 trillion in debt, according to an article in the January 12, 2010 Wall Street Journal and Federal Reserve data. These firms rely on banks for 90% of their financing, compared with 30% for midsize companies and corporation. Furthermore, if US companies were to look to the Federal Government for assistance, they would get scant help. Through September 2009, there was just $9.3 billion in loans guaranteed by the Small Business Administration – no help there! The purpose of this RateFinancials study is to analyze the reasons for this decline in lending and to assess the healthiness of the largest regional banks going forward and their ability to lend.

More than a year has passed since the Federal Reserve and US Treasury began purchasing preferred equity interests in a number of the nation's banks in order to ameliorate a national credit crisis and the economy has continued to weaken. Of the 50 banks in our study, 80% or 40 banks received TARP funding totaling $20.2B, and as of December 12, 2009, only $1.6 B or 7.9% had been repaid as of 2009.

Many banks, including a number in our study group of 50 banks, are laboring under large exposures to economically sensitive loan categories such as commercial real estate and construction and development loans where collateral values have declined well below amounts owed, sharply curtailing debt rollovers and the ability of banks to recover what it is owed. The amounts involved are enormous. According to a December 21, 2009 estimate in the Financial Times, there are about $3.4 trillion of real estate loans outstanding in the US, of which $1.4 trillion is expected to mature by 2012. It is thought that the loan to valuation ratios on loans made during the debt bubble were as high as 70% to 80%, with the result that many banks are left with even more significant financial exposure than the owners who they were financing. It is estimated that about $770 billion in commercial mortgages are currently underwater, thus affecting bank capital and willingness to lend.

Commercial construction and development loans, for example, are widely expected to continue to be a major challenge for banks through 2010 and 2011 as loans made using relaxed underwriting standards during 'good' economic times increasingly experience 'maturity defaults'; whereby construction and development loans that have performed as contracted (in many cases interest expense is built into the loan) remaining current until maturity, whereupon the borrower may default for any number of reasons. These could include current appraisals of the project indicate insufficient support for new financing, and/or in the period since the loan was extended, a developer's credit may have fallen below the level required for a new loan and banks can thus end up owning and maintaining a lot of illiquid real estate. The implications for many banks remain quite profound as is evidenced, in part, by the wide gap existing at some institution between fair value and carrying value of loans; of the 50 banks we studied, 32 disclose September 30, 2009 balance sheet overstatement of loan values averaging 4.5% of risk weighted assets as of that date and for 21 of those banks, a fair value presentation of loans would reduce capital ratios enough so that bank regulators would require additional capital be raised and/or that the balance sheet shrink in order for those banks to be deemed sufficiently capitalized.

Failure of bank to remain 'well-capitalized' could result in punitive measures such as prohibition on accepting or rolling over brokered deposits or, in the extreme, closure of the bank These types of real estate loans are especially likely to exhibit increased default frequency and loss severity that often overwhelm bank loan loss reserves; these reserves must then be reestablished with capital degrading loss provisions. Fear of loan losses triggered by poor lending policies and dire economic conditions prompted the United States Treasury to organize 'stress tests' for the Nation's 19 largest banks whereby the banks would calculate the impact on their capital after losses sustained under a mild and a severe economic scenario in order to assess their potential respective need for additional capital. As part of the test, 2-year cumulative indicative loss rates for each loan category were provided by the US Treasury to be applied by each bank to loan portfolios as of December 31, 2008. As part of this study we 'stress tested' the next 50 largest banks applying the same indicative loss rates to each banks' December 31,2008 loan portfolio in order to assess their potential need for additional capital by December 31, 2010.

One of the dilemmas faced by banks is that recognition of loan and collateral impairment and loan charge-offs puts a drag on earnings, reduces capital and often negatively impact the value of a bank's shares. The result often is inadequate loss provisions, charge-offs and loan allowances. Banks have a surprisingly high level of discretion as to when and how loan and collateral impairment is recognized. Banks have generally been keeping commercial real estate losses down by extending defaulting mortgages upon maturity – a practice that is known as "extending and pretending" – putting off the pain until tomorrow and hoping the economy improves. On October 30, 2009, Federal bank regulators issued guidelines allowing banks to keep loans on their books as "performing" even if the value of the underlying properties have fallen below the loan amount. The new rules provide guidance for bank examiners and financial institutions working with commercial property owners who have been "experiencing diminished operating cash flow, depreciated collateral values, or prolonged delays in selling or renting commercial properties". In our judgment, this is just prolonging the inevitable problem and not confronting it. This leads to a lack of financial reporting transparency of regional banks that are, after all, public companies and this practice does not protect investors.

A particularly grey area is credit quality migration i.e. when the credit cycle changes, the economy contracts and the systematic risk associated with all loan types' loans across the board, changes in tandem. The manner in which banks identify and reflect such changes in systematic risk in their financial statements varies greatly between banks and confounds investors and analysts using simplistic ratio based analysis. If management has aggressively identified and written down or charged off loans supported by impaired collateral (such as an uncompleted multi-family condo project in the middle of nowhere California), then current earnings suffer and shares probably get killed. But going forward their loan portfolio has a higher average loan to value and is inherently less risky then the bank whose earnings and share price have benefited from temporarily delaying recognition of economic realities. In trying to understand why one regional bank's shares have defied gravity while its competitor's shares are decimated, a good place to start is figuring out if the bank's provisions, allowances and impaired loans are inexplicably low when compared to its peers operating in the same area; if they are low, then there are likely to be large potentially ruinous write-downs ahead.

Another major consideration facing the capital adequacy of the regional banks in our study is the assets that are currently off-balance sheet, such as variable interest entities due principally to securitizations that must be brought back on the balance sheet. In April 2009, RateFinancials had published a stress test study of the largest 16 US banks. One of the major findings of the study was that over 55% of the total assets of these banks was off-balance sheet and not consolidated. Hence, the capital at these banks was substantially inadequate. In 2009, the Financial Accounting Standards Board ("FASB") issued Financial Accounting Statements No. 166, *Accounting for Transfers of Financial Assets,* and No. 167, *Amendments to FASB Interpretation No. 46(R),* which change the way financial institutions account for securitizations and special-purpose entities on their balance sheets beginning in 2010.

Statement 166 is a revision to Statement No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*, and will require more information about transfers of financial assets, including securitization transactions, and where companies have continuing exposure to the risks related to transferred financial assets. It eliminates the concept of a "qualifying special-purpose entity," changes the requirements for derecognizing financial assets, and requires additional disclosures.

Statement 167 is a revision to FASB Interpretation No. 46(R), *Consolidation of Variable Interest Entities*, and changes how a company determines when an entity that is insufficiently capitalized or is not controlled through voting (or similar rights) should be consolidated. The determination of whether a company is required to consolidate an entity is based on, among other things, an entity's purpose and design and a company's ability to direct the activities of the entity that most significantly impact the entity's economic performance. The 50 banks in our study do have significant off-balance sheet assets that must consolidated although not to the extent of the largest US bank; nonetheless, it is a another factor impacting their capital and lending ability. The FDIC is requiring banks to rebuild capital and repair balance sheets to accommodate the new accounting standards by the middle of 2011.

The study relies on information obtained from each bank's regulatory filings for September 30, 2009 and September 30, 2009 on the Uniform Bank Performance Reports ("UBPR") located on the FDIC web site. . We also obtained peer comparison data from the UBPRs, all of the banks in our study group belong to the FDIC's 'Peer Group 1' which includes all insured domestic banks with assets in excess of $3B. Several exceptions are 1) fair value data for loans were obtained from each bank's September 30, 2009 filing on Form 10-Q and, 2) bank dividend information was obtained from Yahoo-Finance.

The banks in our study group are evaluated and ranked in five categories using financial metrics obtained from the respective UBPRs, the categories are: 1) Profitability, 2) Asset Quality, 3) Growth, 4) Capital Adequacy, and finally, 5) Stress Test results. In assessing their potential need for additional capital, the US Treasury Department provided the nations 19 largest banks with 2-year cumulative indicative loss rates for each loan category under two economic scenarios that were to be applied by each bank to their loan portfolios as of December 31, 2008. As part of this study we 'stress tested' each of our study group banks by applying the same indicative loss rates to each banks' December 31, 2008 loan portfolio in order to assess their potential need for additional capital by December 31, 2010

The detailed narrative presentation of our findings in the report is followed by a detailed spreadsheet presentation of the data used for each bank. See Appendix 2 for an example of the spreadsheet presentation.

Appendix I- Bank Study Group

Bank Study Group			
Ticker	**Bank**	**Location**	**Assets ($MM)**
ASBC	ASSOCIATED BK NA/ASSOCIATED BANC CORP	GREEN BAY, WI	$22,472
BOH	BANK OF HAWAII/BANK OF HI CORP	HONOLULU, HI	12,186
BOK	BANK OF OK NA/BOK FC	TULSA, OK	16,955
BXS	BANCORPSOUTH BK/BANCORPSOUTH	TUPELO, MS	13,270
CATY	CATHAY BK/CATHAY GEN BC	LOS ANGELES, CA	11,736
CBSH	COMMERCE BK NA/COMMERCE BSHRS	KANSAS CITY, MO	17,847
CFR	FROST NB/CULLEN/FROST BKR	SAN ANTONIO, TX	16,215
CMA	COMERICA BK/COMERICA	DALLAS, TX	59,449
CPF	CENTRAL PACIFIC BK/CENTRAL PACIFIC FC	HONOLULU, HI	5,163
CRBC	CITIZENS BK/CITIZENS REPUBLIC BC	FLINT, MI	11,476
CVBF	CITIZENS BUS BK/CVB FC	ONTARIO, CA	6,538
CYN	CITY NB/CITY NAT CORP	BEVERLY HILLS, CA	18,052
EWBC	EAST WEST BK/EAST W BC	PASADENA, CA	12,455
FBP	FIRST BK/FIRST BKS	CREVE COEUR, MO	10,637
FCF	FIRST COMMONWEALTH BK	INDIANA, PA	6,451
FCNCA	FIRST-CITIZENS B&TC/FIRST CITIZENS BSHRS	RALEIGH, NC	15,822
FHN	FIRST TENNESSEE BK NA MMPHS/FIRST HORIZON	MEMPHIS, TN	26,230
FMBI	FIRST MIDWEST BK/FIRST MIDWEST BC	ITASCA, IL	7,634
FMER	FIRSTMERIT BK NA/FIRSTMERIT CORP	AKRON, OH	10,746
FNB	FIRST NB OF PA/FNB CORP	GREENVILLE, PA	8,390
FULT	FULTON BK/FULTON FNCL CORP	LANCASTER, PA	8,247
HBAN	HUNTINGTON NB/HUNTINGTON BSHRS	COLUMBUS, OH	51,988
IBOC	INTERNATIONAL BK OF CMRC	LAREDO, TX	9,847
MTB	MB FNCL BK NA/M B FNCL	CHICAGO, IL	67,808
MBFI	M&I MARSHALL & ILSLEY BK/MARSHALL & ILSLEY CORP	MILWAUKEE, WI	14,112
MI	MANUFACTURERS & TRADERS TC/M&T BK CORP	BUFFALO, NY	51,571
NPBC	NATIONAL PENN BK/NATIONAL PENN BSHRS	BOYERTOWN, PA	9,557
ONB	OLD NB/OLD NAT BANCORP	EVANSVILLE, IN	7,622
PCBC	PACIFIC CAP BK NA/PACIFIC CAP BC	SANTA BARBARA, CA	7,900
PRK	PARK NB/PARK NAT CORP	NEWARK, OH	6,076
PRSP	PROSPERITY BK/PROSPERITY BSHRS	EL CAMPO, TX	8,950
PVTB	PRIVATEBANK & TC/PRIVATEBANCORP	CHICAGO, IL	11,901
RF	REGIONS FINANCIAL	BIRMINGHAM, AL	135,594
SBNY	SIGNATURE BK/	NEW YORK, NY	8,601
SIVB	SILICON VALLEY BK/SVB FNCL GRP	SANTA CLARA, CA	11,908
SNV	COLUMBUS B&TC/SYNOVUS FC	COLUMBUS, GA	7,674
STSA	STERLING SVG BK/STERLING FC	SPOKANE, WA	11,320
SUSQ	SUSQUEHANNA BK/SUSQUEHANNA BSHRS	LITITZ, PA	13,452
TCB	TCF NB/TCF FC	SIOUX FALLS, SD	17,591
TRMK	TRUSTMARK NB/TRUSTMARK CORP	JACKSON, MS	9,244
TSFG	CAROLINA FIRST BK/SOUTH FNCL GROUP	GREENVILLE, SC	12,267
UCBI	UNITED CMNTY BK/UNITED CMNTY BK	BLAIRSVILLE, GA	8,430
UMBF	UMB BK NA/UMB FC	KANSAS CITY, MO	8,621
UMPQ	UMPQUA BK/UMPQUA HC	ROSEBURG, OR	9,201
VLY	VALLEY NB/VALLEY NBC	PASSAIC, NJ	14,210
WBS	WEBSTER BK NA/WEBSTER FNCL CORP	WATERBURY, CT	17,734
WL	WILMINGTON TC/WILMINGTON TR CORP	WILMINGTON, DE	9,522
WSBC	WESBANCO BK/WESBANCO	WHEELING, WV	5,548
WTNY	WHITNEY NB/WHITNEY HC	NEW ORLEANS, LA	11,644
ZION	ZIONS FIRST NB/ZIONS BC	SALT LAKE CITY, UT	18,439

Appendix 2 - Bank Metrics

The tables below presents an average for our study group and the peer group, data were obtained from FDIC.gov, compiled either directly from each banks UBPR filing or calculated using data from the UBPRs. The report contains a spreadsheet presenting the metrics for each individual bank as of September 30, 2009, and each banks percentile rank for each metric is provided.

The spreadsheet also details the impact on each banks capital adequacy of their stress tests and any adjustment made to reflect loans at fair value.

Profitability	50 Bank Average	Peer Group 1
Loan Yield	5.3%	5.3%
Cost of funds	1.6%	1.7%
Loan Spread	3.7%	3.6%
PPM, % of Avg. Assets	1.4%	2.0%
NI, % of Avg. Assets	-0.5%	-0.2%

Asset Quality	50 Bank Average	Peer Group 1
Earnings Coverage of net loan losses, ytd	4.5%	3.2%
YOY chg.	-2.0%	-3.0%
YTD Charge-offs % Avg Loans	2.1%	1.9%
Loss Provision % of Average assets	1.9%	1.7%
Allowance % of Loans	2.4%	2.3%
Non-current loans as % of Allowance	143.0%	182.5%
Comm'l RE and related loans as % of equity	268.9%	240.6%
Non-current loans % of Gross Loans	3.6%	4.2%
30-89 days past due	1.1%	1.3%
Total	4.7%	5.5%
Non-Current RE loans, by type	4.4%	5.3%
RE loans 30-89 days past due	1.1%	1.4%
Total	5.5%	6.7%
Non-current C&I loans	2.2%	2.6%
C&I 30-89 days Past due	0.8%	0.9%
Total	3.0%	3.5%
Non-current loans to individuals	0.7%	0.7%
Loans to individuals 30-89 days past due	1.9%	1.6%
Total	2.6%	2.3%

Governance	50 Bank Average	Peer Group 1
Officer & Shareholder loans % of loans	1.1%	0.6%

Growth (9/30/09-9/30/08)	50 Bank Average	Peer Group 1
Net Loan Growth	0.3%	-0.3%
Loan Interest and fee Income Growth	-11.2%	-
Investment Securites Growth	51.7%	-
Investments Yield	4.5%	4.3%
YOY Change	-0.6%	-0.7%
ST Investments growth	1362.4%	325.5%
Tier1 Capital Growth Rate	12.1%	13.2%
YOY Change	-3.2%	5.9%

Capital Adequacy & Risk	50 Bank Average	Peer Group 1
Tier 1 Ratio	10.7%	11.5%
YOY Change	1.0%	1.6%
Total Capital Ratio	12.7%	13.5%
YOY Change	1.0%	1.5%
Tier 1 Leverage Ratio	8.2%	8.5%
YOY Change	0.2%	0.5%
Cash Dividends % of Net income	22.4%	22.7%
Brokered Deposits % of Deposits	6.2%	7.6%
Intangible % of Bank Capital	21.5%	17.4%
Intangible % of Tier 1	2.2%	-
OBS Items % of Assets	25.5%	28.0%
YOY Change	-5.8%	-5.2%
Deferred Tax asset to Tier 1	4.1%	3.5%
Non-traded Mrk to mkt Derivs % of Tier 1	0.8%	0.6%
OBS items % of Tier 1 Capital	80.3%	-